

DEPARTMENT OF FINANCE

CORE MISSION

The Department of Finance ensures a secure and strong financial position for the City through fiscal stewardship of City resources. Key activities include: providing financial expertise to City staff and decision-makers, including on-going fiscal and legislative analysis and internal consulting; supporting the work of other departments through mission-critical services such as payroll and compensation management, centralized procurement of goods and services, and payment of the City's bills; preparing the City Manager's Recommended Budget and on-going budget management; preparing legally required reports on the City's financial activities, including the Comprehensive Annual Financial Report; collecting all City revenues, including miscellaneous accounts receivable and billing for all utility services; management and investment of the City's funds; issuance and maintenance of long-term debt; and performance and operational auditing.

PROGRAM: Financial Management and Analysis

- **Proposed Reductions**

1. Elimination of the Management Intern position, which is divided between the Budget Management and Financial Management and Analysis programs. Duties of this position include legislative analysis and analytical support for internal consulting and budget preparation. This results in a reduction of 925 hours in this program, with the remainder in the Budget Management program.
2. Elimination of a Management Analyst position that, along with the Director of Finance and another position, provides Citywide financial support and analysis to other departments, to City Management and the City Council. This proposal reduces our analytic capacity by one-third. Primary duties of this position include internal consulting, revenue and expense monitoring, and special projects.
3. Reduction of \$39,000 in consultant costs for financial/operational audits. The Internal Audit SDP calls for the completion of seven financial/operational audits each year. In most cases, the audits, while managed by internal audit staff, are contracted out to consultants with expertise relevant to the particular audit. This is a 39% reduction in these efforts.
4. Reduction of \$3,000 for travel to conferences, meetings and training events on a department-wide basis.

- **Service Level Changes**

Elimination of the Management Intern position will reduce the department's capacity to respond rapidly to requests from the Council and the City Manager's Office on issues of current interest.

Elimination of the Management Analyst position will decrease by 40% the Department's ability to complete its non-routine projects and will decrease by 30% the capacity to provide general administration.

Reducing the budget for consultant services will reduce the number of financial/operational audits the department can conduct each year from 7 to 4. It is expected that this reduction will also result in failure to detect financial problems, and/or failure to collect revenue to which the City is entitled.

One program outcome measure and four SDP measures will be reduced.

- **Funding Reductions**

The total budget for this program is \$1,228,649. The total reduction, which amounts to \$173,416, is 14.11% of the program's budget.

- **Work Hours and Position Reductions**

1. Reduce Management Intern hours by 925
2. Reduce Management Analyst hours by 1850

PROGRAM – Compensation Management

- **Proposed Reductions**

1. Lower the classification of an Accountant position to a Senior Accounting Technician in Payroll.
2. Reduce 550 hours currently being spent on timecard data entry. At this time, all City timecards are centrally input by Finance staff. We are currently upgrading the City's payroll system, with implementation expected in FY 2004/2005. This new version will include the decentralized input of timecards by individual employees. When the payroll system upgrade is complete, Staff Office Assistant hours can be reduced with no impact on service levels.

- **Service Level Changes**

No program outcome measures will be reduced.

- **Funding Reductions**

The total budget for this program is \$267,995. The total reduction, which amounts to \$32,416, is 12.1% of the program's budget. The reduction does not directly impact outcome measures or activity products.

- **Work Hours and Position Reductions**

Reduce Staff Office Assistant hours by 550

PROGRAM – Accounting and Financial Reporting

- **Proposed Reductions**

1. Eliminate 900 Accountant hours through various service level reductions. This will involve sharing an Accountant position with the Procurement Management program.
2. Pay 30% of the cost of the City's external audit contract from utility funds to directly reflect the percent of the City's overall budget represented by the three utilities.

- **Service Level Changes**

The elimination 900 Accountant hours will have a significant impact on the Accounting and Financial Reporting program. The first area affected will be the recording and monitoring of the City's fixed assets. Staff anticipated implementing the fixed asset module of the Financial System to streamline and better control the recording of fixed assets. With this reduction in Accountant hours, that project cannot move forward, and fixed assets will be updated only once per year at the end of each year. In addition, staff currently monitors all general ledger accounts on an ongoing basis to insure the accuracy of the City's records. This monitoring will be reduced which will increase the possibility of errors occurring and not being detected. Other service level reductions include fewer special projects and reduced management of third party audits conducted by this program.

Two of six program outcome measures and three SDP measures will be reduced.

- **Funding Reductions**

The total budget for this program is \$755,235. The total reduction, which amounts to \$67,369, is 8.92% of the program's budget.

- **Work Hours and Position Reductions**

Reduce Accountant hours by 900

PROGRAM – Procurement Management

- **Proposed Reductions**

1. Reduce 900 hours of an Accountant by sharing one Accountant position with the Accounting and Financial Reporting program. Effects on the Procurement Management program will be a drastic reduction of the number of purchasing cards held by City employees. This will free up Accountant hours because the Procurement Management Accountant spends about half time administering the purchasing card program.
2. Reduce Central Stores hours and move 900 hours of a Storekeeper position to a Meter Reader position, which is being restructured to better reflect the changing needs of the Utility Business Management Division. (The other half of the Meter Reader position will be filled by an Accounting Technician position from Business Licensing as discussed below.) This proposal will reduce staff in Central Stores from 3 to 2.5 positions to handle both the operation of Central Stores and the disposal of surplus property.
3. Eliminate one Buyer position. Currently, two Buyers and one Senior Buyer handle all formal and informal purchases as well as all Public Works contracts. This proposal is dependent upon three factors: First, it is assumed that fewer purchases will be made because of the City's budget crisis and "rightsizing." Second, we will need to modify the Municipal Code and reduce the number of time-consuming formal bids by increasing the formal bid/Council contract award threshold from \$50,000 to \$100,000. Finally, this proposal assumes the full implementation of the I-Procurement System which will significantly streamline the City's procurement process.
4. Reduce funds for rental of outside storage space to store surplus property, such as modular furniture and usable computer equipment.

- **Service Level Changes**

Since the elimination of 900 hours of an Accountant position in this program is contingent upon a drastic reduction in purchasing cards issued to City employees, it will result in a loss of convenience to other departments and therefore decreased customer satisfaction. It will also result in an increase in the number of invoices coming into Accounts Payable and could result in

payment delays. This negative impact, however, may be mitigated by the pending implementation of the I-Procurement System.

The elimination of 900 hours of a Storekeeper position in Central Stores will require a reduction in Stores business hours by 7.5 hours a week. Reduced hours may mean delays in ordering which could increase the stock outage rate, delays in time required for removal of surplus property from work areas, and delays in centralized receiving.

Even if all changes upon which this proposed reduction is predicated are accomplished, the elimination of one Buyer position will most likely increase processing time for the purchase of goods and services. Although impossible to predict, it is highly likely that the proposed purchasing card reduction will increase the number of small dollar purchases that will need to be handled by the buying staff.

The effect of eliminating the ability to rent outside storage may be that surplus items will remain in work areas longer than appropriate. This will be particularly problematic as the staff “right sizes” and usable furniture and equipment needs to be properly stored.

Four out of nine program outcome measures and six SDP measures will be reduced.

- **Funding Reductions**

The total budget for this program is \$1,424,712. The proposed total reduction, which amounts to \$177,695, is 12.47% of the program’s budget.

- **Work Hours and Position Reductions**

1. Reduce Accountant hours by 900
2. Reduce Storekeeper hours by 900
3. Eliminate one buyer position (1800 hours)

PROGRAM – Budget Management

- **Proposed Reduction**

Elimination of the Management Intern position shared with the Financial Management and Analysis program. The Budget Management duties of this position have included revenue forecasting and monitoring and budget preparation. The proposed elimination of this position will result in a reduction of 925 hours in this program.

- **Service Level Changes**

The elimination of this position will remove resources that have supported the preparation of the City's budget. No program outcome measures or SDP measures will be reduced.

- **Funding Reductions**

The total budget for this program is \$602,732. The total reduction, which amounts to \$35,270, is 5.85% of the program's budget. The reduction does not directly impact outcome measures or activity products.

- **Work Hours and Position Reductions**

Reduce Management Intern Hours by 925

PROGRAM – Treasury/Cash Management

- **Proposed Reductions**

1. Reduce 900 hours of an Accounting Technician that supports the business license activity. This can be achieved by moving these hours to a Meter Reader position which is being restructured.
2. Charge an appropriate portion of the costs of the cashiering function to the City's utility funds.

- **Service Level Changes**

The elimination of 900 hours of an Accounting Technician position in this program will result in a delay in processing Business License Tax certificates. Currently, certificates are processed within thirty days from the return submittal date. This proposal is expected to increase the processing to sixty days. No program outcome measures and one SDP measure will be reduced.

- **Funding Reductions**

The total budget for this program is \$658,087. The total reduction, which amounts to \$76,760, is 11.66% of the program's budget.

- **Work Hours and Position Reductions**

Reduce Accounting Technician hours by 900

Program: Utility Business Management

- **Proposed Reductions**

The Utility Business Management Program is unique in the department in that it is fully reimbursed by the Utility Enterprise Funds. Staff is continuing its ongoing efforts to improve overall program efficiency, looking at process improvements that have the potential to generate cost savings for the utility funds. Specific areas of analysis include utility payment processing, bill printing and mailing, and meter reading. Additionally, the program will provide a reduction of \$14,998 in purchased goods and services line items.

- **Service Level Changes**

It is anticipated that the addition of 900 hours of an Accounting Technician position and 900 hours of a Storekeeper position will benefit the program. The replacement an existing meter reader with the combination of the two positions will increase the program's capacity to perform utility billing system audits and on site customer service. These changes, although resulting in a reduction of meter reading resources, should have no impact on current service levels. No program outcome measures will be reduced.

ADDITIONAL COMMENTS:

In addition to the program reductions discussed above, Finance staff is proposing two new revenue measures. First is the institution of a business license application processing fee for all new and renewal business licenses. The current Business License Tax has been in place for a number of years without any increase while the costs of issuing and renewing the licenses have gone up significantly. Staff has conducted time and motion studies on the business license activity and is proposing to charge \$25 for a new license and \$10 for a renewal. These charges would result in the collection of approximately \$105,000 in additional revenue each year to defray the costs of service.

Second is a plan to increase the amount of Business License Tax revenue collected each year. A new business licensing software package has recently been installed that has increased capabilities for identifying those that are in business here but are not licensed. It is expected that about \$22,000 will be generated through this effort.